

John Bouros CEO, Alvion Pharmaceuticals, Greece



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John Bouros CEO and founder of Alvion Pharmaceuticals in Greece on the opportunities inherent in any economic crisis, the growth of the Greek generics segment, and his strategy for growth; both domestic and international.

Can you please start by telling us how your originally came to found Alvion back in 2013 right at the height of the drama of the Greek economic crisis?

Crises tend to create fresh openings for new players as the old structures and ways of conducting business are disrupted and swept away. I am firmly convinced that the winners of tomorrow will be born out of the transformative changes underway right now across the Greek pharmaceuticals and life sciences sectors. I personally recognized a number of business opportunities that even medium-sized players are not really taking advantage of. By starting our operations from a distressed market, we aim to become a Greek multinational. Right now, we are witnessing a new way of thinking beginning to emerge locally with regards to the role of generics in the market and this will necessitate a rethinking of the business model.

Having an experience on global scale as a former Business Development Manager at Pharmathen based both in Athens and London with first-hand experience of conducting business in a number of diverse territories, I chose Greece in a time of immense turbulence to set up a new pharmaceutical company. The rationale however is entirely logical. The manifold distortions present within the Greek market, from the high pricing systems to the abnormally low generics penetration, coupled with the urgency of the general economic situation, present fertile conditions to inspire genuine change. The local industry is compelled to evolve rapidly and rethink its standard operating processes to bring itself

more into line with the norms of Northern Europe. This in turn presents unparalleled opportunities for forward-thinking and proactive entities like Alvion.

You are therefore betting big on the Greek generics segment undergoing a process of normalization?

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Absolutely. This is something that ultimately has to happen with time. There can be no other pathway. Alvion is all about grabbing this opportunity by the horns and being a first mover in adapting to the new scenarios unfolding within the Greek and international generics segment. Right now, because of the somewhat distorted Greek pharmaceuticals market, Alvion's operations are limited to the hospital generics sub-market, but within time my intention is to put together a vertically integrated entity comprising both in-house R&D and a manufacturing facility giving us the opportunity to license our products to multinationals and strong local players across the world. There is absolutely no reason why Greece cannot possess the same breed of global pharma players innovating, operating and exporting from the homeland, that you regularly encounter in some of the more mature European markets. My vision for Alvion is to become precisely that type of company. It is already proved a successful business model as a number of Greek companies have had tremendous success internationally.

What is your blueprint and action-plan for materializing this vision?

There are different pathways offering different speeds. One way is to develop the requisite capabilities organically from scratch. The caliber of scientific knowledge and presence of high quality, yet affordable human capital within the local market is certainly adequate to be able to do this. For Alvion, however, I am seeking a faster, more direct approach and that means going down the route of acquisitions and buying up an already established and operational infrastructure. Right now, I am in advanced negotiations to acquire a product from a multinational company that already enjoys sales across some 20 markets including much of the CEE area and even parts of South East Asia and Latin America. Should we conclude this agreement, this would provide us with our own intellectual property expanding our product portfolio and ready access to new geographies. With the clawbacks and rebates in Greece the market cannot offer sustainable growth and thus it is my opinion that any Greek technology, produced in Greece and exporting across the world is the only way forward for any Greek corporation. Reaching to this point you obviously require the right strategy and in brief I would highlight three parameters of success 1) the product, 2) the time of the development and 3) the people-ambassadors across the world.

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It's important to remember that economic crises are great moments to be making acquisitions because the valuation of companies tend to be at their lowest. The only limitation in the country is the access to capital at a moment when the banking sector is unwilling to lend and venture capitalists extremely cautious. For this reason, all the capital that I am injecting into Alvion to finance this expansion derives from personal sources and thus we are still debt free.

What would you say have been the main milestones in Alvion's short but promising history?

The launch of our first products in the Greek market, a general anesthesia that places us amongst top players in a number of markets, has been our most important milestone to date. For a startup like us, it is especially important to select the right types of product where the competition is going to be limited and this product has proved to be a good option for us because we offer the best quality

standards at an affordable price.

Another important moment was our initial determination to focus our energies on the Greek hospital sub-market. This was a strategically sound decision because the local pharmaceuticals market has never been a price-factor market. Pricing doesn't tend to have the impact that it would on a normal market because of the structural idiosyncrasies of the market, the lack of proper incentives and the prevailing behavioral preferences of many Greek stakeholders all of which serve to depress generics penetration. The hospital segment bucks the trend, however, with generics' share of that sub-market accounting for between fifty and sixty per cent. This is a relatively new development that occurred during the past 3 years when hospital bound products started to be purchased centrally and when state actors began to turn their attention to cost-containment. Alvion, for its part, takes advantage of these changes.

How do you assess the Greek government's attempts to increase levels of generics penetration?

There is still a very long way to go before the Greek generics market achieves normalization, especially with respect to the private sector. To put everything in context, we have experience offering a product with a considerably lower price than any of our competitors: the same molecule, but a full 25 percent cheaper. Logically, in theory, we should have captured 60 or 70 percent of market share without even having to try. Instead we enjoy 30 percent market share of the hospital segment following the implementation of some very vigorous marketing campaigns. On the other hand prices are inelastic in private and pharmacy sector proving that the marketing and education dictates the consumption of pharmaceuticals.

There is no doubt that all governments are trying and to some extent succeeding to change this state of affairs because it is very much in their interest to do so as it would enable them to control their costs and reign in their expenditure at a time when the national treasury is tremendously squeezed. In my opinion they are failing in their efforts big time and I am convinced that the clawback that has been imposed is not the solution. Laws to incentivize and compel physicians and pharmacists to prescribe the cheapest generics have been successfully voted upon in the Parliament, but there has been very little progress in terms of enactment of new legislations.

One big obstacle is the power of the various stakeholders and its resistance to change. The lobbies wield undue influence and are able to manipulate the bureaucratic structures of the public health system to influence consumption patterns. Another hurdle is the lack of education amongst patients and prevailing perception that lower costs necessarily equate to lower quality.

How do you differentiate Alvion from its competitors in various markets?

Being a startup we're always in the lookout to differentiate ourselves in any ways that we can imagine. One of our innovations is that we are thinking different on all levels. This is especially important for a company like Alvion where the products are essentially the ambassadors of the company. A lot of our differentiation takes place at the product selection phase where we are careful to choose products that are difficult to develop or have niche markets where the competition is inherently limited and where we can still compete well on cost. Another segment that we are entering into is the orphan drugs, where Alvion shall monopolise the markets. Most of our product pipeline, that is the products for which we are seeking registration and market approvals, comprise therapies that are in scare supply. We are seeking access, for example, for an oncology products that would be limited in terms of sales volume, but where there is actually no existing equivalent product available on the market at present. This thus offers an exceptional opportunity for us to grab the entire market share for Greece and Cyprus, which we are simultaneously registering it for.

Alvion has made a point of being an extrovert company in relation to foreign markets right from the very start. Why is this?

Partly it is due to my own expertise. With my background in Business Development, this is one of the areas where I can personally add a lot of value. Other indigenous Greek companies might find it difficult to engage with very different cultures and their regulatory frameworks, but that is very much the bread and butter of what I used to do. Being an extrovert company also makes a lot of sense when the local, domestic market is in such an unstable state as it allows you to diversify your revenue streams.

Cyprus was the obvious first foreign market to start with because of the shared language and culture. Right now, we also have a number of products undergoing registration in certain branded generics markets across the Balkans such as Serbia, Croatia and Bulgaria. With the forthcoming acquisition the intent would be to expand this CEE footprint further and engage in direct sales in related markets such as the Czech Republic. It would also interestingly hand us our first foothold in South East Asia, by means of the Indonesian market.

Alongside this outwards-looking orientation I do have high hopes for the Greek market, which I detect as being the epicenter of a new expression of entrepreneurial spirit. My firm's belief is that the economic crisis is going to trigger a lot of change within not just the public health apparatus but the hospital and private consumer markets as well and my intention is that Alvion will be well positioned to take advantage of the new landscape once it materializes.

Let's not forget that Greece is blessed with an excellent tradition in pharmaceuticals with a well-forged reputation for highly skilled scientists, quality medical infrastructure and manufacturing facilities and affordable, educated labor. It has also historically served as a credible gateway between Western and Eastern markets and cultures. It's no coincidence that many people view the local clinical trials segment, drug development and future growth industries that will enable the national economy to become more productive and resilient.

How do you want Alvion to be perceived at home and abroad?

At Alvion we are building a brand to be perceived both local and internationally as synonymous with successful strategic alliances, superior quality, affordable medicines and last but not least anthropocentric, offering great career development opportunities to all our employees. I am also keen for us to be known as a Greek company that has successfully gone global. The intention is not only to license our products to other parties, but equally to market our products across other geographies and to establish a strong brand. Last year we attained about 400 000 euros with limited products. This year we are expecting about 1.5 million and hopefully by 2018 we will be at the level of 3 million euros. Within 5 years we should be able to hit 10 million, opening our horizons and becoming vertically integrated.

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